

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Crystal Falls	County Iron
Fiscal Year End 3-31-2006	Opinion Date 6-15-2006	Date Audit Report Submitted to State 9-1-2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

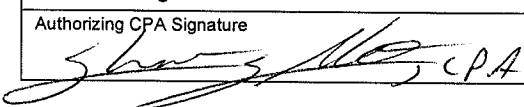
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-774-4300	
Street Address 201 E. Hughitt		City Iron Mountain	State MI
Authorizing CPA Signature 		Printed Name Shane M. Ellison, CPA	Zip 49801
		License Number 263063	

TOWNSHIP OF CRYSTAL FALLS
IRON COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS

Fiscal Year Ended March 31, 2006

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
L. Robert Schaut, CPA
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Township of Crystal Falls
Crystal Falls, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Township of Crystal Falls ("Township"), Michigan, of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely component units, each major fund, and the aggregate remaining fund information of the Township of Crystal Falls, Michigan, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2006, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The accompanying additional information schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying additional information schedules as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

June 15, 2006

TOWNSHIP OF CRYSTAL FALLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2006

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 0.7% from a year ago - decreasing from \$2.271 million to \$2.255 million. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase of approximately \$6,000 during the year (0.5% decrease). This is attributed to a gravel crushing project and the Township's share of road repairs. The business-type activities experienced an \$11,000 decrease in net assets, primarily as a result of non-capitalized planning costs incurred by Township personnel in conjunction with the anticipated water system project. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current Assets	\$ 896	\$ 869	\$ 227	\$ 414	\$ 1,123	\$ 1,283
Noncurrent Assets	<u>399</u>	<u>413</u>	<u>978</u>	<u>766</u>	<u>1,377</u>	<u>1,179</u>
Total Assets	<u>\$ 1,295</u>	<u>\$ 1,282</u>	<u>\$ 1,205</u>	<u>\$ 1,180</u>	<u>\$ 2,500</u>	<u>\$ 2,462</u>
Long-Term Debt Outstanding	\$ 2	\$ 1	\$ 145	\$ 146	\$ 147	\$ 147
Other Liabilities	<u>30</u>	<u>12</u>	<u>68</u>	<u>32</u>	<u>98</u>	<u>44</u>
Total Liabilities	<u>\$ 32</u>	<u>\$ 13</u>	<u>\$ 213</u>	<u>\$ 178</u>	<u>\$ 245</u>	<u>\$ 191</u>
Net Assets						
Invested in Capital Assets—Net of Debt	\$ 399	\$ 414	\$ 814	\$ 592	\$ 1,213	\$ 1,006
Restricted	323	286	9	9	36	180
Unrestricted	<u>541</u>	<u>569</u>	<u>169</u>	<u>401</u>	<u>1,006</u>	<u>1,085</u>
Total Net Assets	<u>\$ 1,263</u>	<u>\$ 1,269</u>	<u>\$ 992</u>	<u>\$ 1,002</u>	<u>\$ 2,255</u>	<u>\$ 2,271</u>

TOWNSHIP OF CRYSTAL FALLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2006

Unrestricted net asset—the part of net assets that can be used to finance day to day operations, decreased by \$28,000 for the governmental activities. This decrease can be attributed primarily to the sale of property in 2004-2005 year that did not recur. The current level of unrestricted net assets for our governmental activities stands at \$541,000.

The following table shows the changes of the net assets (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Program Revenues						
Charges for Services	\$ 35	\$ 32	\$ 245	\$ 214	\$ 280	\$ 246
Operating Grants and Contributions	2	11	0	0	2	0
Capital Grants and Contributions	0	0	0	0	0	0
General Revenues						
Property Taxes	511	513	0	0	511	513
State-Shared Revenues	153	133	0	0	153	133
Licenses and permits	2	2	0	0	2	2
Unrestricted Investment Earnings	11	7	1	0	12	7
Refunds and reimbursements	4	2	0	0	4	2
Sale of land	0	83	0	0	0	83
Other	0	0	0	0	0	0
Transfers	<u>(8)</u>	<u>(8)</u>	<u>8</u>	<u>8</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>\$ 710</u>	<u>\$ 775</u>	<u>\$ 254</u>	<u>\$ 222</u>	<u>\$ 964</u>	<u>\$ 986</u>
Program Expenses						
Legislative	\$ 6	\$ 12	\$ 0	\$ 0	\$ 6	\$ 12
General Government	183	198	0	0	183	198
Public Safety	122	124	0	0	122	124
Public Works	322	197	265	226	587	423
Recreation & Culture	5	3	0	0	5	3
Community Betterment	4	0	0	0	4	0
Employee Benefits	43	45	0	0	43	45
Insurance	<u>31</u>	<u>31</u>	<u>0</u>	<u>0</u>	<u>31</u>	<u>31</u>
Total Expenses	<u>\$ 716</u>	<u>\$ 610</u>	<u>\$ 265</u>	<u>\$ 226</u>	<u>\$ 981</u>	<u>\$ 836</u>
Change in Net Assets	<u>\$ (6)</u>	<u>\$ 165</u>	<u>\$ (11)</u>	<u>\$ (4)</u>	<u>\$ (17)</u>	<u>\$ 150</u>

The Township's net assets remain at a comfortable level. This can be attributed to conservative yet necessary planning and spending on past capital equipment and projects and implementation of cost savings measures. An expansion at the Medical Care Facility will further enhance future utility revenues.

TOWNSHIP OF CRYSTAL FALLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2006

Governmental Activities

The Township's total governmental revenues decreased by approximately \$ 65,000 due to the sale of Township property in the prior year.

Cash expenditures in Public Works increased by slightly more than \$164,000 during the year. This was due to a gravel crushing project of \$148,000 and increased spending on road projects.

Business-Type Activities

The Township's business-type activities consist of the Water and Sewer Funds. The Township provides water and sewer services to its residents. Sewer services are purchased from the City of Crystal Falls and the Township provides water from its own system. The revenues in both funds increased due to rate increases and the completion of the Iron County Medical Care Facility project. Water expenses increased due to planning costs incurred in anticipation of a forthcoming water project. The Sewer Fund revenues remained level with the prior year with expenses decreasing slightly. This decrease is attributable to smaller expenditures on contractual services.

The Township's Funds

Analysis of the Township's major funds begins on page 12, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as a federal grant/loan. The Township's major funds for 2005-2006 include the General Fund, Fire Protection Fund, Township Improvement Fund and each of the business type funds.

The General Fund pays for most of the Township's governmental services. The most significant are general maintenance of Township property and buildings, parks and recreation, maintaining the Township's equipment, and general administration. These services are primarily funded from property taxes assessed to the residents of the Township and revenues shared with the State of Michigan.

The Township's Water and Sewer Funds are funded primarily through charges to customers for the services received.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. Various accounts are amended as necessary, unanticipated expenditures are incurred by the Township in the course of its operations.

TOWNSHIP OF CRYSTAL FALLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2006

Capital Asset and Debt Administration

At the end of the 2005-2006 fiscal year, the Township had slightly more than \$1,750,000 invested in a broad range of capital assets, including land and buildings, office equipment and a water system. In addition, the Township has invested significantly in roads within the Township which are not included in the total as the roads are owned by the Iron County Road Commission. These roads are maintained by the Road Commission with the costs recorded on their financial records.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2006-2007 calls for no change in property tax rates. This minimal increase can be accomplished because of the controls that are being placed on governmental fund expenditures. Because of the impact of Proposal A and decreasing State Shared Revenues, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than the inflationary rate, the mathematical result is that the total taxable value for the Township will grow at a rate less than inflation, before considering new property additions.

Business Type Funds will continue to be scrutinized carefully to be certain that rates and/or fees for services are proportionate to the related expenses. As an updated Water Bond Ordinance is adopted, it is anticipated that a rate increase will have to be implemented. The Township anticipates that negotiations with the City regarding sales of water and the closure of the grant/loan agreement will be completed during the forthcoming fiscal year. The Sewer Fund rates and expenditures will be closely reviewed and modified as necessary to provide positive cash flows for the Fund.

Contacting the Township's Management

This financial report is intended to provide the citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Supervisor's office.

TOWNSHIP OF CRYSTAL FALLS
GOVERNMENT WIDE STATEMENT OF NET ASSETS
 March 31, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CURRENT ASSETS			
Cash and equivalents	\$ 798,504	\$ 195,275	\$ 993,779
Receivables - net	69,628	25,898	95,526
Inventory	1,588	5,367	6,955
Prepaid expenses	26,719	-	26,719
TOTAL CURRENT ASSETS	896,439	226,540	1,122,979
RESTRICTED ASSETS - Cash and equivalents	-	5,681	5,681
NON-CURRENT ASSETS			
Property and equipment, net of depreciation	399,098	963,622	1,362,720
Other	-	8,627	8,627
TOTAL NON-CURRENT ASSETS	399,098	972,249	1,371,347
TOTAL ASSETS	1,295,537	1,204,470	2,500,007
CURRENT LIABILITIES			
Accounts payable	10,876	37,778	48,654
Accrued and other liabilities	19,488	9,684	29,172
Deferred revenue	-	15,313	15,313
Current part of non-current liabilities	-	5,000	5,000
TOTAL CURRENT LIABILITIES	30,364	67,775	98,139
LIABILITIES PAYABLE FROM RESTRICTED ASSETS	-	5,681	5,681
NON-CURRENT LIABILITIES			
Compensated absences	1,966	-	1,966
Revenue bonds payable	-	139,319	139,319
TOTAL NON-CURRENT LIABILITIES	1,966	139,319	141,285
TOTAL LIABILITIES	32,330	212,775	245,105
NET ASSETS			
Invested in capital assets, net of related debt	399,098	813,622	1,212,720
Restricted for			
Prepaid expenses	26,719	-	26,719
Bond discount	-	8,627	8,627
Fire protection	143,145	-	143,145
Capital improvements	153,480	-	153,480
Unrestricted	540,765	169,446	710,211
TOTAL NET ASSETS	\$ 1,263,207	\$ 991,695	\$ 2,254,902

Notes to Financial Statements are an integral part of this statement.





**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

TOWNSHIP OF CRYSTAL FALLS
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET REVENUE (EXPENSE) AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES
Governmental Activities						
Legislative	\$ 5,710	\$ -	\$ -	\$ -	\$ (5,710)	\$ (5,710)
General government	183,187	-	-	-	(183,187)	(183,187)
Public safety	122,552	-	-	-	(122,552)	(122,552)
Public works	321,845	34,722	1,541	-	(285,582)	(285,582)
Parks and recreation	4,810	-	-	-	(4,810)	(4,810)
Community betterment	4,165	-	-	-	(4,165)	(4,165)
Employee benefits	43,258	-	-	-	(43,258)	(43,258)
Insurance	30,559	-	-	-	(30,559)	(30,559)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 716,086	\$ 34,722	\$ 1,541	\$ -	\$ (679,823)	\$ (679,823)
Business-Type Activities						
Sewer	\$ 118,578	\$ 102,972	\$ -	\$ -	\$ (15,606)	\$ (15,606)
Water	146,655	142,642	-	-	(4,013)	(4,013)
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 265,233	\$ 245,614	\$ -	\$ -	\$ (19,619)	\$ (19,619)
GENERAL REVENUES						
Property taxes					\$ 510,594	\$ 510,594
State shared revenues and grants					153,267	153,267
Licenses and permits					1,966	1,966
Unrestricted investments earnings					11,182	12,078
Refunds and reimbursements					4,323	4,323
Other					256	256
SPECIAL ITEM-Gain (loss) on sale of land					-	-
TRANSFERS					(8,000)	-
TOTAL GENERAL REVENUES AND TRANSFERS					673,588	682,484
CHANGE IN NET ASSETS						
Net assets - beginning					(10,723)	(16,958)
					1,002,418	2,271,860
NET ASSETS - ENDING					\$ 991,695	\$ 2,254,902

Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF CRYSTAL FALLS
GOVERNMENTAL FUNDS BALANCE SHEET
COMBINED BALANCE SHEET
March 31, 2006

	<u>GENERAL</u>	<u>FIRE PROTECTION</u>	<u>TOWNSHIP IMPROVEMENT</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and equivalents	\$ 512,828	\$ 132,196	\$ 153,480	\$ 798,504
Taxes receivable	20,353	9,211	-	29,564
Accounts receivable	190	-	-	190
Due from other funds	666	9,738	-	10,404
Due from other governmental units	29,470	-	-	29,470
Inventory	1,588	-	-	1,588
Prepaid expense	6,703	20,016	-	26,719
TOTAL ASSETS	<u>\$ 571,798</u>	<u>\$ 171,161</u>	<u>\$ 153,480</u>	<u>\$ 896,439</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 10,876	\$ -	\$ -	\$ 10,876
Accrued payroll expense	3,615	-	-	3,615
Accrued taxes and withholdings	277	-	-	277
Due to other funds	7,596	8,000	-	15,596
TOTAL LIABILITIES	<u>22,364</u>	<u>8,000</u>	<u>-</u>	<u>30,364</u>
<u>FUND BALANCES</u>				
Reserved for prepaid expenses	6,703	20,016	-	26,719
Unreserved	542,731	143,145	153,480	839,356
TOTAL FUND BALANCES	<u>549,434</u>	<u>163,161</u>	<u>153,480</u>	<u>866,075</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 571,798</u>	<u>\$ 171,161</u>	<u>\$ 153,480</u>	<u>\$ 896,439</u>

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF CRYSTAL FALLS
RECONCILIATION OF BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
March 31, 2006

Total fund balance - total governmental funds \$ 866,075

Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial resources
and are not reported in the funds net of related depreciation 399,098

Accumulated employee benefits not used in current period (1,966)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,263,207

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF CRYSTAL FALLS
ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year ended March 31, 2006

	<u>GENERAL</u>	<u>FIRE PROTECTION</u>	<u>TOWNSHIP IMPROVEMENT</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>				
General property taxes	\$ 354,208	\$ 156,114	\$ -	\$ 510,322
Federal grants	1,541	-	-	1,541
State shared revenues and grants	153,267	-	-	153,267
Charges for services	34,722	-	-	34,722
Licenses and permits	1,966	-	-	1,966
Interest and rentals	6,812	966	3,676	11,454
Refunds and reimbursements	4,323	-	-	4,323
Other	256	-	-	256
TOTAL REVENUES	<u>557,095</u>	<u>157,080</u>	<u>3,676</u>	<u>717,851</u>
<u>EXPENDITURES</u>				
Legislative	5,710	-	-	5,710
General government	167,500	-	-	167,500
Public safety	-	122,552	-	122,552
Public works	320,318	-	-	320,318
Parks and recreation	4,810	-	-	4,810
Community betterment	4,165	-	-	4,165
Employee benefits	42,820	-	-	42,820
Insurance	30,559	-	-	30,559
Capital outlay	1,000	-	1,540	2,540
TOTAL EXPENDITURES	<u>576,882</u>	<u>122,552</u>	<u>1,540</u>	<u>700,974</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(19,787)	34,528	2,136	16,877
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer from other funds	-	-	1,540	1,540
Transfer to other funds	(1,540)	(8,000)	-	(9,540)
EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	(21,327)	26,528	3,676	8,877
Fund balance - beginning	570,761	136,633	149,804	857,198
FUND BALANCE - ENDING	<u>\$ 549,434</u>	<u>\$ 163,161</u>	<u>\$ 153,480</u>	<u>\$ 866,075</u>

Notes to Financial Statements are an integral part of this statement.



TOWNSHIP OF CRYSTAL FALLS
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

Net change in fund balance - total governmental funds	\$ 8,877
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities these costs are allocated over their estimated useful life and reported as depreciation	(14,674)
Increases in accumulated employee vacation are recorded when earned in the Statement of Activities	<u>(438)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (6,235)</u>

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF NET ASSETS
BUSINESS TYPE FUNDS
March 31, 2006

	<u>SEWER UTILITY</u>	<u>WATER UTILITY</u>	<u>TOTAL</u>
Current Assets:			
Cash and equivalents	\$ 22,381	\$ 172,894	\$ 195,275
Accounts receivable	9,917	7,981	17,898
Due from other funds	-	8,000	8,000
Inventory	-	5,367	5,367
	<u>32,298</u>	<u>194,242</u>	<u>226,540</u>
TOTAL CURRENT ASSETS			
Restricted Assets	-	5,681	5,681
Property, Plant and Equipment:			
Utility plant and equipment	228,199	1,321,241	1,549,440
Construction in progress	-	256,370	256,370
Less accumulated depreciation	(67,621)	(774,567)	(842,188)
	<u>160,578</u>	<u>803,044</u>	<u>963,622</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT			
Other Assets - Deferred bond costs	-	8,627	8,627
	<u>192,876</u>	<u>1,011,594</u>	<u>1,204,470</u>
TOTAL ASSETS			
Current Liabilities:			
Accounts payable	6,816	30,962	37,778
Accrued salaries and wages	1,634	2,716	4,350
Payroll withholdings and accrued taxes	126	208	334
Interest payable	-	5,000	5,000
Deferred revenue	-	15,313	15,313
Current portion of long term debt	-	5,000	5,000
	<u>8,576</u>	<u>59,199</u>	<u>67,775</u>
TOTAL CURRENT LIABILITIES			
Long Term Liabilities	-	145,000	145,000
	<u>8,576</u>	<u>204,199</u>	<u>212,775</u>
TOTAL LIABILITIES			
NET ASSETS			
Invested in capital assets - net of related debt	160,578	653,044	813,622
Restricted for debt service	-	5,681	5,681
Unrestricted	23,722	148,670	172,392
	<u>\$ 184,300</u>	<u>\$ 807,395</u>	<u>\$ 991,695</u>
TOTAL NET ASSETS			

Notes to Financial Statements are an integral part of this statement.



TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUSINESS TYPE FUNDS
Year ended March 31, 2006

	<u>SEWER UTILITY</u>	<u>WATER UTILITY</u>	<u>TOTAL</u>
<u>OPERATING REVENUES</u>			
User charges	\$ 102,661	\$ 142,392	\$ 245,053
Other	<u>311</u>	<u>250</u>	<u>561</u>
 TOTAL OPERATING REVENUES	 <u>102,972</u>	 <u>142,642</u>	 <u>245,614</u>
<u>OPERATING EXPENSES</u>			
Salaries and wages	13,203	40,641	53,844
Payroll taxes	954	3,067	4,021
Employee benefits	7,270	22,403	29,673
Supplies	3,069	8,371	11,440
Repairs and maintenance	43	-	43
Contracted services	84,374	5,182	89,556
Utilities	3,982	23,284	27,266
Dues and subscriptions	-	25	25
Travel	-	186	186
Printing and publishing	113	158	271
Depreciation	<u>5,570</u>	<u>34,609</u>	<u>40,179</u>
 TOTAL OPERATING EXPENSES	 <u>118,578</u>	 <u>137,926</u>	 <u>256,504</u>
 OPERATING INCOME (LOSS)	 (15,606)	 4,716	 (10,890)
<u>NON-OPERATING INCOME (EXPENSE)</u>			
Interest income	-	896	896
Interest expense	-	(8,729)	(8,729)
<u>NON-OPERATING TRANSFERS</u>			
To other funds	<u>-</u>	<u>8,000</u>	<u>8,000</u>
 NET INCOME (LOSS)	 (15,606)	 4,883	 (10,723)
Net assets - beginning	<u>199,906</u>	<u>802,512</u>	<u>1,002,418</u>
 NET ASSETS - ENDING	 <u>\$ 184,300</u>	 <u>\$ 807,395</u>	 <u>\$ 991,695</u>

Notes to Financial Statements are an integral part of this statement.



TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF CASH FLOWS
BUSINESS TYPE FUNDS
Year ended March 31, 2006

	<u>SEWER UTILITY</u>	<u>WATER UTILITY</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 97,594	\$ 143,639	\$241,233
Payments to suppliers	(84,960)	(10,571)	(95,531)
Payments to or on behalf of employees	(19,668)	(63,187)	(82,855)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	<u>(7,034)</u>	<u>69,881</u>	<u>62,847</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	-	(5,000)	(5,000)
Interest paid on revenue bonds	-	(8,597)	(8,597)
Construction in progress	-	(256,371)	(256,371)
Funding of restricted accounts	-	3,540	3,540
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(266,428)</u>	<u>(266,428)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	-	896	896
NET INCREASE (DECREASE) IN CASH	(7,034)	(195,651)	(202,685)
Cash and equivalents - beginning	29,415	368,545	397,960
CASH AND EQUIVALENTS - ENDING	<u>\$ 22,381</u>	<u>\$ 172,894</u>	<u>\$ 195,275</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (15,606)	\$ 4,716	\$ (10,890)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation	5,570	34,609	40,179
Change in Assets and Liabilities			
Receivables - net	(5,378)	1,081	(4,297)
Inventory	-	(2,595)	(2,595)
Accounts payable	6,621	29,230	35,851
Accrued salaries and wages	1,634	2,716	4,350
Payroll withholding and accrued taxes	125	208	333
Deferred revenue	-	(84)	(84)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (7,034)</u>	<u>\$ 69,881</u>	<u>\$ 62,847</u>

Notes to Financial Statements are an integral part of this statement.



TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF NET ASSETS
FIDUCIARY FUND
March 31, 2006

ASSETS

Cash and equivalents	\$3,042
Due from other governmental units	<u>107</u>
TOTAL ASSETS	<u>\$3,149</u>

LIABILITIES

Liabilities	
Due to other funds	\$2,808
Due to other governmental units	<u>341</u>
TOTAL LIABILITIES	<u>\$3,149</u>

Notes to Financial Statements are an integral part of this statement.



TOWNSHIP OF CRYSTAL FALLS
FIDUCIARY FUNDS - AGENCY
STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2006

	BALANCE 3/31/2005	ADDITIONS	DEDUCTIONS	BALANCE 3/31/2006
<u>ASSETS</u>				
Cash and equivalents	\$ 2,243	\$ 1,392,703	\$ (1,391,904)	\$ 3,042
Due from other governmental units	<u>-</u>	<u>147,839</u>	<u>(147,732)</u>	<u>107</u>
TOTAL ASSETS	<u>\$ 2,243</u>	<u>\$ 1,540,542</u>	<u>\$ (1,539,636)</u>	<u>\$ 3,149</u>
<u>LIABILITIES</u>				
Due to other funds	\$ 2,243	\$ 500,102	\$ (499,537)	\$ 2,808
Due to other governmental units	-	744,869	(744,528)	341
Due to taxpayers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 2,243</u>	<u>\$ 1,244,971</u>	<u>\$ (1,244,065)</u>	<u>\$ 3,149</u>

Notes to Financial Statements are an integral part of this statement.



TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Crystal Falls (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township is governed by an elected five member board of trustees (Board). The accompanying financial statements present the government, as the Township does not have any component units that are required to be presented, either discretely or blended.

JOINTLY GOVERNED ORGANIZATIONS

Crystal Falls Fire Authority

The Township of Crystal Falls and City of Crystal Falls participate jointly in the operation of the Crystal Falls Fire Authority. All of the financial operations of the Authority are recorded in a separate set of financial records and are available at the Fire Department Offices located in the Crystal Falls City Hall.

The funding formula approved by the members of the Local Units is based pro rata on each unit's population. The Township's contribution to the Fire Authority for the audit period was \$122,553.

Government-Wide and Fund Financial Statements

The government-wide statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.



TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable—Current Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes levied on December 1 are payable in one installment by the 15th day of February of the ensuing year without penalty. The Township bills and collects its own property taxes and also taxes for Iron County and the Crystal Falls Community District Library. Collections and remittances of county and library taxes are accounted for in the Tax Collection Fund. Township real property taxes are recognized when levied and personal property taxes are recognized when received.

The Township actually assessed 4.4 mills for operations and 1.9914 mills for fire protection. The millage generated net tax collections of \$324,705 that is recorded in the General Fund and \$146,690 in the Fire Protection Fund.



TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Protection Fund accounts for the tax collections restricted for fire protection and pays the quarterly commitments to the Crystal Falls Fire Authority.

The Township Improvement Fund accounts for transfers primarily from the General Fund and expends funds for designated non-utility capital projects.

The Township reports the following major proprietary funds:

The Water Fund accounts for the activities of the water distribution system.

The Sewer Fund accounts for the activities of the sewer collection system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's utility function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.



TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Township's proprietary funds relate to charges to customers for sales and services. The utility funds also recognizes the portion of the fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, depreciation on capital assets and debt costs associated with financing upgrades to the utility systems. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments— Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of six months or less when acquired. Investments are stated at fair value.

Receivables and Payables— In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "due to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on February 16th of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items— Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets— The revenue bonds of the enterprise funds require amounts to be set aside for debt service principal and interest and a bond reserve. These amounts have been classified as restricted assets. In addition, the deposits placed on account by utility customers are also classified as restricted.



TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets— Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Township has elected not to report its infrastructure assets which is in compliance with Governmental Accounting Standards Board Statement Number 34 as the Township is a “tier three” entity. All future infrastructure asset additions will be recorded and reported in the government wide financial statements.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	40 to 60 years
Other Infrastructure	10 to 40 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation, Personal and Sick Leave)— It is the Township’s policy to permit employees to accumulate earned but unused compensatory benefits. The Township does not have a determinable liability for unpaid accumulated sick leave since the Township has a policy not to pay any portion of the accumulated benefits to employees upon separation from service. All compensatory leave pay is accrued when incurred proprietary fund financial statements. A liability for this amount is reported in governmental funds only for employee terminations as of year-end as the use of current financial resources to satisfy the debt has not been determined.



TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Long-Term Obligations— In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity— In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Cash includes amounts in demand, savings and certificates of deposits with a maturity date within three months of the financial statement date. State statutes authorize the government to invest in bank time accounts, obligations of the U.S. Treasury, commercial paper, corporate bonds, certain mutual funds and repurchase agreements.

NOTE B - CASH AND EQUIVALENTS

The carrying amount of the Township's deposits with financial institutions including certificates of deposit maturing in less than 180 days is \$ 993,779. The bank balance is comprised as follows:

Amount insured by the Federal Deposit Insurance Corporation	
Insurance Corporation	\$487,726
Uninsured, uncollateralized	<u>506,053</u>
 TOTAL BANK BALANCE	 <u>\$993,779</u>



TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE B - CASH AND EQUIVALENTS (CONTINUED)

Custodial Credit Risk Custodial credit risk is the risk that in the event of a bank failure, the Township's cash and equivalents may not be returned. The Township held cash and equivalents in excess of FDIC insurance limits in the amount of \$506,053 which was uninsured and uncollateralized at March 31, 2006.

NOTE C - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit of government shall not incur expenditures in excess of the amounts appropriated in any of its budgetary funds.

All expenditures made or incurred during the year were properly authorized by the Township Board.

NOTE D - ACCUMULATED DEFICITS

The Township does not have accumulated deficits in its unreserved fund balance or retained earnings accounts in any of its funds.

NOTE E - INTERFUND TRANSFERS

The following interfund transfers were recorded during the year and are reflected in the financial statements.

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Fire Protection	Water	\$ 8,000
General	Township Improvement	\$ 1,540

NOTE F - INTERFUND RECEIVABLES AND PAYABLE

The March 31, 2006, balances of interfund receivables and payables are as follows:

<u>Due From</u>	<u>Due to</u>	<u>Amount</u>
General	Fire Protection	\$ 7,596
Tax Collection	General	\$ 666
Tax Collection	Fire Protection	\$ 2,142
Fire Protection	Water Utility	\$ 8,000

NOTE G - TOWNSHIP IMPROVEMENT FUND

Pursuant to a resolution of the Township Board, this fund was established to accumulate financial resources to be used for Township capital improvement and capital outlay type expenses.



TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE G - TOWNSHIP IMPROVEMENT FUND (CONTINUED)

The fund was initiated with a transfer from the General Fund. As mandated by law, such transfers are limited to two mills per year/five mills in total of the state equalized valuation of the real and personal property in the Township. Further, all interest earned on investments of the fund becomes part of the fund.

If deemed necessary for the operations of the Township, the Board at its discretion may transfer monies back to the General Fund.

NOTE H - CHANGES IN LONG TERM DEBT - WATER SUPPLY SYSTEM REVENUE AND REVENUE REFUNDING BONDS - SERIES 1987

Long term debt of the Water Fund at March 31, 2006 is comprised of the following amount:

\$ 220,000 - Water Supply System Revenue and Revenue Refunding Bonds - Series 1987 due in annual installments as set forth in the Schedule of Bonded Debt and Interest on each May and November 1, through 2017.

In July of 1993, the Township refinanced its then outstanding Water Supply System Revenue Bonds - Series 1987 by entering into a "Savings Agreement" with the Michigan Municipal Bond Authority pursuant to the Authorities Local Government Refunding Revenue Bond Program. Through a reduction in the coupon interest rates, the refinancing effectively saved the Township \$49,925 in bond interest. Refinancing charges totaling \$ 15,318 were deferred and are being amortized on a straight line basis over the remaining life of the bonds.

Below is an amortization schedule for the Revenue Bond:

<u>Date</u>	<u>Payment Due</u>	<u>Principal</u>	<u>Interest</u>
May 1, 2006	\$ 6,000	\$ -	6,000
November 1, 2006	7,336	5,000	2,336
May 1, 2007	5,800	-	5,800
November 1, 2007	12,138	10,000	2,138
May 1, 2008	5,400	-	5,400
November 1, 2008	11,988	10,000	1,988
May 1, 2009	5,000	-	5,000
November 1, 2009	11,823	10,000	1,823
May 1, 2010	4,600	-	4,600
November 1, 2010	11,658	10,000	1,658
2011 - 2017	<u>128,788</u>	<u>105,000</u>	<u>23,788</u>
	<u>\$210,531</u>	<u>\$150,000</u>	<u>\$60,531</u>

	<u>Beginning Balance</u>	<u>Newly Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Water Supply Revenue Bond	<u>\$155,000</u>	<u>\$ -</u>	<u>\$5,000</u>	<u>\$150,000</u>	<u>\$5,000</u>



TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE I - PENSION PLAN

The Township terminated its existing defined contribution plan and rolled the funds into a new deferred compensation plan established under Internal Revenue Code Section 457. The plan, available to all regular Township employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

The Township does not have significant administrative involvement for the assets of the deferred compensation plan and each employee is electing investments for themselves.

The Township accounts for and reports its deferred compensation plan under provisions of both GASB Statements No. 32 "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" and GASB Statement No. 34, "Basis Financial Statements and Management's Discussion and Analysis for State and Local Governments."

GASB Statement No. 32 rescinded GASB Statement No. 2 and established accounting and financial reporting standards for Internal Revenue Code Section 457 deferred compensation plans of state and local governmental employers. The laws governing these plans were changed to state that as of August 20, 1996, new plans would not be considered eligible unless all assets and income of the plan are held in trust or covered by annuity contract for the exclusive benefits of the participants and their beneficiaries. The Township's plan meets this requirement.

GASB Statement No. 34 amended GASB Statement No. 32 Paragraph 4, and the Township's deferred compensation plan assets and liabilities are not reported in the Township's financial statements.

The Township's contribution was \$ 4,915 during the year which included a one-time administrative fee of \$2,000.

NOTE J - RISK MANAGEMENT

The Township of Crystal Falls is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township of Crystal Falls maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.



TOWNSHIP OF CRYSTAL FALLS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE K – CHANGES IN CAPITAL ASSETS

Capital asset activity for the Township for the year ended March 31, 2006 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>
Governmental Funds				
Assets not depreciated-Land	\$ 55,994	\$ -	\$ -	\$ 55,994
Assets depreciated:				
Buildings	612,383	1,540	-	613,923
Equipment	<u>49,300</u>	<u>1,000</u>	-	<u>50,300</u>
Total at Historic Cost	<u>717,677</u>	<u>2,540</u>	-	<u>720,217</u>
Less Accumulated Depreciation for:				
Buildings	279,002	8,736	-	287,738
Equipment	<u>24,903</u>	<u>8,478</u>	-	<u>33,381</u>
Total Accumulated Depreciation	<u>303,905</u>	<u>17,214</u>	-	<u>321,119</u>
Net Governmental Funds-Capital Assets	\$ <u>413,772</u>			\$ <u>399,098</u>
Business Type Funds				
Assets not depreciated-Construction	\$ -	\$256,370	\$ -	\$256,370
Assets depreciated:				
Sewer utility system	228,199	-	-	228,199
Water utility system	<u>1,321,241</u>	-	-	<u>1,321,241</u>
Total at Historic Cost	<u>1,549,440</u>	<u>256,370</u>	-	<u>1,805,810</u>
Less Accumulated Depreciation for:				
Sewer utility system	62,051	5,570	-	67,621
Water utility system	<u>739,959</u>	<u>34,608</u>	-	<u>774,567</u>
Total Accumulated Depreciation	<u>802,010</u>	<u>40,178</u>	-	<u>842,188</u>
Net Business Type Funds-Capital Assets	\$ <u>747,430</u>			\$ <u>963,622</u>





**REQUIRED
SUPPLEMENTAL
INFORMATION**

TOWNSHIP OF CRYSTAL FALLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended March 31, 2006

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning Fund Balance	\$ 570,761	\$ 570,761	\$ 570,761	\$ -
Resources (Inflows)				
Property taxes	339,106	339,106	354,208	15,102
Federal grants	-	-	1,541	1,541
State shared revenues and grants	157,500	157,500	153,267	(4,233)
Licenses and permits	1,400	1,400	1,966	566
Charges for services	38,000	38,000	34,722	(3,278)
Interest and rentals	6,700	6,700	6,812	112
Refunds and reimbursements	2,300	2,300	4,323	2,023
Other	-	-	256	256
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>1,115,767</u>	<u>1,115,767</u>	<u>1,127,856</u>	<u>12,089</u>
Charges to Appropriations (Outflows)				
Legislative				
Trustees	6,700	8,200	5,710	2,490
General Government				
Supervisor	13,800	13,800	13,310	490
Elections	1,550	1,550	1,236	314
Clerk	25,000	31,500	25,193	6,307
Assessor	21,100	21,100	20,648	452
Audit/attorney	19,000	30,000	18,878	11,122
Board of review	600	640	630	10
Treasurer	17,300	17,300	17,190	110
Buildings and property	37,900	40,400	40,361	39
Cemetery	11,700	11,700	11,699	1
Zoning	14,200	18,710	18,355	355
Public Works				
Maintenance	242,600	281,884	275,319	6,565
Sanitation	41,500	47,000	44,999	2,001
Parks and Recreation				
Gibson Lake park	-	-	-	-
Other	2,500	5,550	4,810	740
Community betterment	4,100	4,200	4,165	35
Employee benefits	56,400	81,400	42,820	38,580
Insurance	47,970	43,970	30,559	13,411
Capital outlay	50,000	1,550	1,000	550
Transfers to other funds	8,000	8,000	1,540	6,460
TOTAL CHARGES TO APPROPRIATIONS	<u>621,920</u>	<u>668,454</u>	<u>578,422</u>	<u>90,032</u>
BUDGETARY FUND BALANCE--ENDING	<u>\$ 493,847</u>	<u>\$ 447,313</u>	<u>\$ 549,434</u>	<u>\$ 102,121</u>

ANDERSON, TACKMAN
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TOWNSHIP OF CRYSTAL FALLS
BUDGETARY COMPARISON SCHEDULE
FIRE PROTECTION FUND
Year ended March 31, 2006

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning Fund Balance	\$ 136,633	\$ 136,633	\$ 136,633	\$ -
Resources (Inflows)				
Property taxes	156,521	156,521	156,114	(407)
Interest earned	600	600	966	366
Transfers from other funds	-	-	-	-
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>293,754</u>	<u>293,754</u>	<u>293,713</u>	<u>(41)</u>
Charges to Appropriations (Outflows)				
Public safety - fire	125,000	124,000	122,552	1,448
Administration	10,000	2,000	-	2,000
Transfer to other funds - hydrant rental	-	8,000	8,000	-
TOTAL CHARGES TO APPROPRIATIONS	<u>135,000</u>	<u>134,000</u>	<u>130,552</u>	<u>3,448</u>
BUDGETARY FUND BALANCE--ENDING	<u>\$ 158,754</u>	<u>\$ 159,754</u>	<u>\$ 163,161</u>	<u>\$ 3,407</u>

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TOWNSHIP OF CRYSTAL FALLS
BUDGETARY COMPARISON SCHEDULE
TOWNSHIP IMPROVEMENT FUND
Year ended March 31, 2006

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning Fund Balance	\$ 149,804	\$ 149,804	\$ 149,804	\$ -
Resources (Inflows)				
Interest	750	750	3,676	2,926
Transfer from other funds	-	1,540	1,540	-
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>150,554</u>	<u>152,094</u>	<u>155,020</u>	<u>2,926</u>
Charges to Appropriations (Outflows)				
Capital outlay	<u>8,000</u>	<u>9,000</u>	<u>1,540</u>	<u>7,460</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>8,000</u>	<u>9,000</u>	<u>1,540</u>	<u>7,460</u>
BUDGETARY FUND BALANCE--ENDING	<u>\$ 142,554</u>	<u>\$ 143,094</u>	<u>\$ 153,480</u>	<u>\$ 10,386</u>

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**ADDITIONAL
INFORMATION**

TOWNSHIP OF CRYSTAL FALLS
BALANCE SHEET
WATER SUPPLY SYSTEM FUND
March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 172,894	\$ 368,545
Accounts receivable	7,981	9,062
Due from other funds	8,000	-
Inventory	<u>5,367</u>	<u>2,772</u>
TOTAL CURRENT ASSETS	<u>194,242</u>	<u>380,379</u>
Restricted Assets - bond and interest redemption	<u>5,681</u>	<u>9,221</u>
Property and Equipment:		
Property and equipment	1,321,241	1,321,241
Construction in progress	256,370	-
Less accumulated depreciation	<u>(774,567)</u>	<u>(739,959)</u>
NET PROPERTY AND EQUIPMENT	803,044	581,282
Other Assets - Deferred bond costs - net	<u>8,627</u>	<u>8,926</u>
TOTAL ASSETS	<u>\$ 1,011,594</u>	<u>\$ 979,808</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Account payable	\$ 30,962	\$ 1,732
Accrued salaries and wages	2,716	-
Payroll withholdings and accrued taxes	208	-
Accrued interest	5,000	5,167
Deferred revenue	15,313	15,397
Current portion of long-term debt	<u>5,000</u>	<u>5,000</u>
TOTAL CURRENT LIABILITIES	<u>59,199</u>	<u>27,296</u>
Long-Term Debt:		
Revenue bonds	150,000	155,000
Less current portion included above	<u>(5,000)</u>	<u>(5,000)</u>
TOTAL LONG-TERM DEBT	<u>145,000</u>	<u>150,000</u>
TOTAL LIABILITIES	<u>204,199</u>	<u>177,296</u>
FUND EQUITY		
Contributed Capital:		
Federal (net of amortization)	33,313	39,407
Township	<u>593,843</u>	<u>593,843</u>
TOTAL CONTRIBUTED CAPITAL	<u>627,156</u>	<u>633,250</u>
Retained earnings:		
Reserved	13,993	11,993
Unreserved - undesignated	<u>166,246</u>	<u>157,269</u>
TOTAL RETAINED EARNINGS	<u>180,239</u>	<u>169,262</u>
TOTAL FUND EQUITY	<u>807,395</u>	<u>802,512</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,011,594</u>	<u>\$ 979,808</u>

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TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
WATER SUPPLY SYSTEM FUND
Years ended March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services:			
Customer sales	\$142,392	\$125,755	\$ 16,637
Water taps and other services	<u>250</u>	<u>250</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>142,642</u>	<u>126,005</u>	<u>16,637</u>
OPERATING EXPENSES			
Wages	40,641	30,301	(10,340)
Payroll taxes	3,067	2,278	(789)
Employee benefits	22,403	14,055	(8,348)
Supplies	8,371	12,463	4,092
Purchased services	5,182	9,489	4,307
Dues and subscriptions	25	62	37
Travel	186	206	20
Printing and publishing	158	-	(158)
Utilities	23,284	21,284	(2,000)
Depreciation	<u>34,609</u>	<u>31,453</u>	<u>(3,156)</u>
TOTAL OPERATING EXPENSES	<u>137,926</u>	<u>121,591</u>	<u>(16,335)</u>
OPERATING INCOME	4,716	4,414	302
NON-OPERATING REVENUE (EXPENSE)			
Interest income	896	147	749
Transfer from fire protection fund	8,000	8,000	-
Interest expense	<u>(8,729)</u>	<u>(8,984)</u>	<u>255</u>
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>167</u>	<u>(837)</u>	<u>1,004</u>
NET INCOME	\$ 4,883	\$ 3,577	<u>\$ 1,306</u>
Add depreciation of fixed assets acquired by capital grants that reduces contributed capital from grants	6,094	6,094	
Retained Earnings - April 1	<u>169,262</u>	<u>159,591</u>	
RETAINED EARNINGS - MARCH 31	<u>\$180,239</u>	<u>\$169,262</u>	

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TOWNSHIP OF CRYSTAL FALLS
STATEMENT OF CASH FLOWS
WATER SUPPLY SYSTEM FUND
Year ended March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$143,639	\$139,472
Payments to suppliers	(10,571)	(42,583)
Payments to or on behalf of employees	<u>(63,187)</u>	<u>(46,634)</u>
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	<u>69,881</u>	<u>50,255</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES - Transfer from other funds	<u>-</u>	<u>8,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on capital debt	(5,000)	(5,000)
Interest paid on revenue bonds	(8,597)	(8,850)
Purchases of capital assets	-	(40,475)
Construction in progress	(256,371)	-
Funding of restricted accounts	<u>3,540</u>	<u>13,702</u>
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(266,428)</u>	<u>(40,623)</u>
CASH FLOWS FROM INVESTING ACTIVITIES - Interest	<u>896</u>	<u>147</u>
NET INCREASE (DECREASE) IN CASH	(195,651)	17,779
Cash and equivalents - beginning	<u>368,545</u>	<u>350,766</u>
CASH AND EQUIVALENTS - ENDING	<u>\$172,894</u>	<u>\$368,545</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 4,716	\$ 4,414
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	34,609	31,453
Change in Assets and Liabilities		
Receivables - net	1,081	(1,930)
Inventory	(2,595)	991
Accounts payable	29,230	(70)
Accrued salaries and wages	2,716	-
Payroll withholdings and accrued taxes	208	-
Deferred revenue	<u>(84)</u>	<u>15,397</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 69,881</u>	<u>\$ 50,255</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Township Board
Township of Crystal Falls
Crystal Falls, Michigan

We have audited the financial statements of Township of Crystal Falls as of and for the year ended March 31, 2006, and have issued our report thereon dated June 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Crystal Falls's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Township of Crystal Falls, in a separate letter dated June 15, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Township of Crystal Falls's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co. PLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

June 15, 2006

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS





ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:

L. Robert Schaut, CPA
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:

Private Companies Practice Section
American Institute of Certified
Public Accountants

June 15, 2006

Township Board
Township of Crystal Falls
Crystal Falls, Michigan

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Township of Crystal Falls for the year ended March 31, 2006, we considered the entities internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 15, 2006, on the financial statements of the Township of Crystal Falls.

1. During the review of general receipts it was noted that some items did not bear account distribution on the receipt or attached documentation.

Recommendation

Account distributions should be listed on all receipts or documentation attached to the receipt. An authorized individual knowledgeable about the Township's chart of accounts and the purpose of the receipt should indicate an account distribution on each receipt or documentation.

2. During the review of board minutes it was noted in the minutes the total amount of expenditures approved, but there were not listings or supporting schedule included with the board minutes.

Recommendation

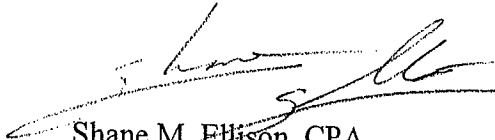
The list of expenditures approved at each board meeting should be attached to the applicable copy of minutes maintained at the Township. That list or schedule, which was approved by the board, should agree with the amounts approved in the board minutes and should itemize each item by check number if applicable or vendor and amounts. In addition, those invoices approved to be paid prior to each month's board meeting due to timeliness of paying bills, should either be indicated on the list provided to the board for approval or included as a separate schedule for the board's review. It is important that those bills paid in advance of each board meeting are clearly approved by the board each month.

3. During the audit it was noted that the Township's Sewer Utility Fund's unrestricted net assets has been decreasing significantly over the past few years. The unrestricted net assets decreased from \$33,759 to \$23,722 during the year-ended March 31, 2006. A \$10,000 plus reduction in net assets a year only gives the Township a couple of years before it goes into the red. The Township should review the situation and make appropriate changes so as to prevent the fund from moving into the red and to prevent the general fund from having to subsidize the sewer fund.

We thank you for the opportunity to be of service. Do not hesitate to contact us if you have any questions. I found your staff to be very cooperative and a pleasure to work with.

Very truly yours,

ANDERSON, TACKMAN & COMPANY, PLC



Shane M. Ellison, CPA
Principal